

NOV 10 1999

MS 2730

Mr. Donald A. Hamilton
Vice President, Raw Material Supply
Gary-Williams Energy Corporation
370 - 17th Street, Suite 5300
Republic Plaza Building
Denver, Colorado 80202

Dear Mr. Hamilton:

Enclosed for your records is a fully executed copy of Sales Contract No. 6300-99-101 for your purchase of crude oil as a result of your bid under Solicitation 99-1. Also enclosed is a copy of the letter appointing Mr. Robert Prael as the Contracting Officer's Technical Representative (COTR). Please acknowledge receipt of the COTR appointment letter by signing and dating on the last page of the enclosed second copy and returning it to me at the letterhead address, Attention: MS 2730 (Leneau).

Mr. Prael will be contacting you shortly to answer any questions you may have concerning the technical aspects of this contract. Should you have any questions concerning your Contract, I may be reached at (303) 275-7385 or via the Internet at Todd.Leneau@MMS.GOV.

Sincerely,

/s/ Todd W. Leneau

Todd W. Leneau
Contracting Officer

Enclosures

bcc: R. Prael, COTR, MS 3131 ✓
Contract File
Reading File
ASC Chron

LMS:WASC:MS2730:TWLeneau:mjo:11/04/99:275-7385:Award-ltr-101



United States Department of the Interior

MINERALS MANAGEMENT SERVICE

Western Administrative Service Center
Box 25165
Denver, Colorado 80225-0165

IN REPLY REFER TO:

MS 2730

NOV 10 1999

Memorandum

To: Contracting Officer's Technical Representative
Attention: Mr. Robert Prael

From: Todd W. Leneau
Contracting Officer

Subject: Delegation of Authority Concerning Contract No. 6300-99-101

The subject sales contract (copy attached) has been awarded to Gary-Williams Energy Corporation for their purchase of crude oil from the Minerals Management Service under the Royalty-in-Kind Program during the period January 1, 2000, through December 31, 2000. In accordance with the Department of the Interior Acquisition Regulation (DIAR) 1401.670, you are hereby designated the Contracting Officer's Technical Representative (COTR).

This delegation authorizes and obligates you to perform the following tasks to the extent required by the terms of the Contract:

- a. Inspect and monitor contract performance to assure technical compliance with the specifications. Immediately notify the Contracting Officer of any noncompliance, failure to make due progress, or any dispute. Avoid all discussions with the Contractor concerning disputed matters.
- b. Inspect and verify satisfactory compliance of all contract requirements, including verifying payment amounts due the government each month as calculated by the contractor [Reference: Paragraph G.2.1 (a)], and that payment is actually made in accordance with the procedures outlined in Exhibit C of the solicitation document [Reference: Paragraph G.2.1 (b)].
- c. Verify the monthly submission of reports by the contractor and that the reports are submitted in the format required by Exhibit D of the solicitation document [Reference: Paragraph G.2.1 (b)].
- d. Provide copies of trip reports, conference reports, and all correspondence to the Contracting Officer.

Under this delegation, you have no authority to modify the stated terms of the Contract or specification in any manner or to approve any action which would result in a reduction of funds due to the Government or to the time required for contract performance. All such changes must be made in writing by the Contracting Officer. Accordingly, in exercising this authority you are responsible for:

- a. Knowing and understanding the terms and provisions of the Contract and immediately discussing any unclear areas with the Contracting Officer.

- b. Knowing the scope and limitations of your authority and using good judgment, skill, and reasonable care in exercising it.
- c. Protecting privileged and sensitive procurement information.
- d. Periodically making contact with the Contractor to verify progress and informing the Contracting Officer of your findings concerning:
 - (1) Actual performance versus scheduled performance.
 - (2) Action needed to restore contract to schedule.

When performing your duties under this delegation, you shall constantly stress protection of the Government's interests. You should be particularly attentive to suspected violations of the Program Fraud Civil Remedies Act (PFCRA) consisting of the submission of false claims or the making of false statements. You should become knowledgeable of the contents of the attached booklet on the PFCRA as well as the Department's implementation of the Act in 43 CFR Part 35. Similarly, you shall avoid any act which may tend to compromise the position of the Minerals Management Service (MMS) or any individual member, impair confidence in MMS's integrity, or interfere with the Contractor's right to perform. In addition, DIAR 1403.203 requires that any vendor's offer of a gratuity intended to obtain a contract or favorable treatment under a contract must be reported. In your capacity as COTR, you are responsible for promptly reporting any suspected violations of the Gratuities Clause, FAR 52.203-3, (copy attached) to the Contracting Officer.

This Delegation of Authority is not redelegable. It shall end upon contract completion, your reassignment from your present position, or notice of termination by the Contracting Officer.

Please acknowledge your receipt of this Delegation by signing and dating the attached copy provided for this purpose and return it to the Contracting Officer at MS 2730.

Attachments

- cc. Gary-Williams Energy Corporation
370-17th Street
Republic Plaza Building, Suite 3300
Denver, Colorado 80202

FAR 52.203-3, Gratuities (APR 1984)

(a) The right of the Contractor to proceed may be terminated by written notice if, after notice and hearing, the agency head or a designee determines that the Contractor, its agent, or another representative --

(1) Offered or gave a gratuity (e.g., an entertainment or gift) to an officer, official, or **employee of the Government**; and

(2) Intended, by the gratuity, to obtain a contract or favorable treatment under a contract.

(b) The facts supporting this determination may be reviewed by any court having lawful jurisdiction.

(c) If this contract is terminated under paragraph (a) above, the Government is entitled --

(1) To pursue the same remedies in a breach of the contract; and

(2) In addition to any other damages provided by law, to exemplary damages of not less than 3 nor more than 10 times the cost incurred by the Contractor in giving gratuities to the person concerned, as determined by the agency head or a designee. (This subparagraph (c)(2) is applicable only if this contract uses money appropriated to the Department of Defense.)

(d) The rights and remedies of the Government provided in this clause shall not be exclusive and are in addition to any other rights and remedies provided by law or under this contract.

AWARD/CONTRACT

1. THIS CONTRACT IS A RATED ORDER
UNDER DPAS (15 CFR 350)

RATING

PAGE OF PAGES

1 19

2 CONTRACT (Proc. Inst. Ident.) NO.

3. EFFECTIVE DATE

4. REQUISITION/PURCHASE REQUEST/PROJECT NO

6300-99-101

See Block 20

N/A

5 ISSUED BY

CODE

6. ADMINISTERED BY (If other than Item 5)

CODE

Minerals Management Service

Western Administrative Service Center

Procurement Branch, MS-2730

P. O. Box 25165, Denver Federal Center

Denver, Colorado 80225-0165

Todd W. Leneau

Contracting Officer

(303) 275-7385

Same Address as Block #5

DUPLICATE ORIGINAL

7. NAME AND ADDRESS OF CONTRACTOR (No. street, city, county, State and ZIP Code)

8. DELIVERY

Gary-Williams Energy Corporation

370 - 17th Street

Republic Plaza Building, Suite 5300

Denver, Colorado 80202

FOB ORIGIN

OTHER (See below)

9. DISCOUNT FOR PROMPT PAYMENT

N/A - Sales Contract

CODE

FACILITY CODE

10. SUBMIT INVOICES
(4 copies unless other-
wise specified) TO THE
ADDRESS SHOWN IN

ITEM

N/A

11. SHIP TO/MARK FOR

CODE

12. PAYMENT WILL BE MADE BY

CODE

N/A - Sales Contract

N/A

13. AUTHORITY FOR USING OTHER THAN FULL AND OPEN COMPETITION

14. ACCOUNTING AND APPROPRIATION DATA

N/A

10 U.S.C. 2304(c) ()

41 U.S.C. 253(c) ()

15A. ITEM NO

15B. SUPPLIES/SERVICES

15C. QUANTITY

15D. UNIT

15E. UNIT PRICE

15F. AMOUNT

Sale of Crude Oil. See Page 6.

Period of Performance: January 1, 2000 through
December 31, 2000

15G. TOTAL AMOUNT OF CONTRACT

16. TABLE OF CONTENTS

(X) SEC	DESCRIPTION	PAGE(S)	(X) SEC	DESCRIPTION	PAGE(S)
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X B	SUPPLIES OR SERVICES AND PRICES/COSTS	4-6		PART III - LIST OF DOCUMENTS, EXHIBITS AND OTHER ATTACH	
X C	DESCRIPTION/SPECS/WORK STATEMENT	7-12	J	LIST OF ATTACHMENTS	
D	PACKAGING AND MARKING			PART IV - REPRESENTATIONS AND INSTRUCTIONS	
E	INSPECTION AND ACCEPTANCE		K	REPRESENTATIONS, CERTIFICATIONS AND OTHER STATEMENTS OF OFFERORS	
F	DELIVERIES OR PERFORMANCE		L	INSTRS, CONDS. AND NOTICES TO OFFERORS	
X G	CONTRACT ADMINISTRATION DATA	13-14	M	EVALUATION FACTORS FOR AWARD	
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CONTRACTING OFFICER WILL COMPLETE ITEM 17 OR 18 AS APPLICABLE

17. CONTRACTOR'S NEGOTIATED AGREEMENT (Contractor is required to sign

18. AWARD

(Contractor is not required to sign this document) Your offer on

this document and return copies to issuing office) Contractor agrees to furnish and deliver all items or perform all the services set forth or otherwise identified above and on any continuation sheets for the consideration stated herein. The rights and obligations of the parties to this contract shall be subject to and governed by the following documents: (a) this award/contract, (b) the solicitation, if any, and (c) such provisions, representations, certifications, and specifications, as are attached or incorporated by reference herein. (Attachments are listed herein)

Solicitation Number 99-1

including the additions or changes made by you which additions or changes are set forth in full above, is hereby accepted as to the items listed above and on any continuation sheets. This award consummates the contract which consists of the following documents: (a) the Government's solicitation and your offer, and (b) this award/contract. No further contractual document is necessary.

19A. NAME AND TITLE OF SIGNER (Type or print)

20A. NAME OF CONTRACTING OFFICER

Todd W. Leneau

19B. NAME OF CONTRACTOR

19C. DATE SIGNED

20B. UNITED STATES OF AMERICA

20C. DATE SIGNED

BY (Signature of person authorized to sign)

BY Todd W. Leneau
(Signature of Contracting Officer)

NOV 10 1999

SECTION A

BIDDER'S CERTIFICATION AND ACCEPTANCE SIGNATURE PAGE

BIDDER'S BUSINESS NAME: Gary-Williams Energy Corp.

ADDRESS: 370 17th Street, Republic Plaza Bldg., Suite 5300, Denver, CO 80202

CORPORATE OR PARTNERSHIP OFFICER: Donald A. Hamilton

TYPED NAME AND TITLE: Vice President, Raw Material Supply

DATE: October 25, 1997

CORPORATE SEAL: _____

Paul B. Rosswork, Secretary

Bids by corporations must be executed over the corporate seal.

Having examined the bidding documents, including any modifications to IFB No. 99-1 (if applicable), the receipt of which is hereby duly acknowledged, we, the undersigned, offer to purchase Royalty Oil in conformity with our bid prices for specific crude types and other information included in **Exhibit A**, attached herewith and made part of this Bid.

We undertake, if our Bid for a specific crude oil type is accepted, to select leases from **Exhibit B**, a list of leases selected will be attached herewith and made a part of the contract, and to purchase the Royalty Oil in accordance with the provisions in the IFB.

We will obtain the Letter of Credit in accordance with the provisions in the IFB.

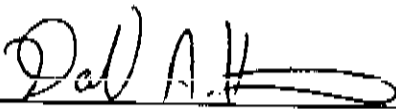
We agree to abide by this Bid for a period of 45 days from the date fixed for Bid opening under the Instructions to Bidders, and it shall remain binding upon us and may be accepted at any time before the expiration of that period.

Your Bid, this signed Bidder's Certification and Acceptance Signature page, the MMS notification of award, and the final list of leases that you choose for your winning crude oil type, shall constitute a binding Contract between the Purchaser and the Seller.

We certify that we are a qualified bidder as described in H.1 of the IFB and that the information, representations and certifications include herein are accurate and complete.

The making of false statements to the Seller is punishable by a fine of not more than \$10,000 and/or not more than five years imprisonment, see 18 U.S.C. 1001.

Dated this 25th day of October 19 99.



Authorized Signature

Donald A. Hamilton

VP, Raw Material Supply
Title

DOCUMENTS TO ACCOMPANY BID: Bidders must submit the following documents with their bids. Seller may reject, as nonresponsive, bids not accompanied by these documents:

1. Section A, Executed Bidder's Certification and Acceptance Signature Page (3 copies)
2. Exhibit A (Your BID for Federal Oil) (One Copy)
3. Section J - Representations and Certifications (One Copy)
4. An ILOC equal to 30 days of crude oil production for the leases that you are bidding on the crude oil type. (One copy)
5. List of Bidder's Representatives from Paragraph D.5, Page 16 (One copy)

Exhibit A

Table Of MMS Crude Oil Pricing and Bid Gulf of Mexico:				
Crude Oil Type	Delivery Point	Price Per Barrel	Max Volume (If Any)	Bid + or -
Light Louisiana Sweet	St. James, LA	(Koch Posting + Platt's P+) - (Platt's WTI-LLS)	X - 4	X - 4
Light Louisiana Sweet	South Bend, LA	(Koch Posting + Platt's P+) - (Platt's WTI-LLS)	X	4
Heavy Louisiana Sweet	Empire, LA	(Koch Posting + Platt's P+) - (Platt's WTI-HLS)	X	4
Eugene Island	St. James, LA	(Koch Posting + Platt's P+) - (Platt's WTI-EI)	X	4
Mars Island	Clovelly, LA	(Koch Posting + Platt's P+) - (Platt's WTI-Mars)	X	4
Heavy Louisiana Sweet	Grand Isle, LA	(Koch Posting + Platt's P+) - (Platt's WTI-HLS)	X	4

Table Of MMS Crude Oil Pricing and Bid Pacific:				
Oil Group	Fields Comprising Group	Location of Delivery Assumed Delivery gravity	Price Per Barrel	MAX VOL (IF ANY) Bid + or -
Coastal Light (CL-M)	Santa Clara	Mandalay Beach, CA 21°	Average of Platt's Oilgram and Petroleum Argus's spot price for ANS +/- a gravity adjustment	X - 4
Coastal Light (CL-C)	Santa Clara Sockeye	Carpinteria, CA 24°	Average of Platt's Oilgram and Petroleum Argus's spot price for ANS +/- a gravity adjustment	X - 4
Coastal Heavy (CH-C)	Carpinteria	La Conchita, CA 23.4°	Average of Platt's Oilgram and Petroleum Argus's spot price for ANS +/- a gravity adjustment	X - 4

Coastal Heavy (CH-R)	Dos Cuadras	Rincon Separation Facility 24°	Average of Platt's Oilgrain and Petroleum Argus's spot price for ANS +/- a gravity adjustment
Heavy (H-H)	Hueneme	Mandalay Beach, CA 21°	Average of Platt's Oilgrain and Petroleum Argus's spot price for ANS +/- a gravity adjustment
Heavy (H-A)	Pt. Arguello	Inlet of Gaviola	Average of Platt's Oilgrain and Petroleum Argus's spot price for ANS +/- a gravity adjustment
Heavy (H-Y)	Santa Ynez	Las Flores Canyon, All American Pipeline 20.9°	Average of Platt's Oilgrain and Petroleum Argus's spot price for ANS +/- a gravity adjustment
Beta (BTA)	Beta	Beta Onshore Facility 17.8°	Average of Platt's Oilgrain and Petroleum Argus's spot price for ANS +/- a gravity adjustment
Pt. Pedernales (PTF)	Pt. Pedernales	Lompoc, CA 16.2°	Average of Platt's Oilgrain and Petroleum Argus's spot price for ANS +/- a gravity adjustment

X

—

4

X

—

4

Exhibit B-1

RIK Lease Listing for Sale 99-1

Refiner Number: 99101		Refiner Name: Gary-Williams Energy							
Bundle	Lease Number	FMP Number	Operator Name	Area	Block	Oil Type	Quality	Market Center	Daily Royalty Share
198	088-000180-0	200-00833500	Exxon Company, U.S.A.	Santa Ynez		H-Y	20.9	Las Flores Canyon	84
198	088-000181-0	200-00833500	Exxon Company, U.S.A.	Santa Ynez		H-Y	20.9	Las Flores Canyon	1355
198	088-000190-0	200-00833500	Exxon Company, U.S.A.	Santa Ynez		H-Y	20.9	Las Flores Canyon	1492
198	088-000191-0	200-00833500	Exxon Company, U.S.A.	Santa Ynez		H-Y	20.9	Las Flores Canyon	462
198	088-000329-0	200-00833500	Exxon Company, U.S.A.	Santa Ynez		H-Y	20.9	Las Flores Canyon	398
Bundle Subtotal									3791
199	088-000202-0	200-00111500	Nuevo Energy	Hueneme		H-II	21.0	Mandalay	76
199	088-000203-0	200-00111500	Nuevo Energy	Hueneme		H-II	21.0	Mandalay	189
Bundle Subtotal									265
201	088-000182-0	200-00833500	Exxon Company, U.S.A.	Santa Ynez		H-Y	20.9	Las Flores Canyon	7595
201	088-000183-0	200-00833500	Exxon Company, U.S.A.	Santa Ynez		H-Y	20.9	Las Flores Canyon	1230
Bundle Subtotal									8825
Sum									12811

Thursday, October 28, 1999

SECTION C

TERMS AND CONDITIONS OF OIL SALES AND PURCHASE

C.1. DEFINITIONS

ANS means Alaska North Slope

API means the American Petroleum Institute.

Argus means Petroleum Argus spot market price postings.

Audit refers to any review, conducted in accordance with generally accepted accounting and auditing standards, of royalty payment compliance activities of lessees or other interest holders who pay royalties, rents, or bonuses on Federal and Indian Leases, and, as used herein, refers to such review of Purchaser's compliance with the provisions of this Contract.

Barrel means 42 U.S. gallons of 231 cubic inches per gallon corrected to 60 degrees Fahrenheit.

BS (Bonito Sour) means the arithmetic average of the daily high and low price quotes for "Bonito" for Platt's Month of Delivery.

Contract means this IFB No. 99-1, immediately after it has been fully executed and accepted by Bidder and the MMS, and includes any amendments or revisions thereto, between the Parties, and constitutes an obligation which, with due consideration, is enforceable by law.

Contracting Officer (CO) is a person with the authority to enter into, administer, and/or terminate contracts and make related determinations and findings. The term includes the authorized representative of a CO acting within the limits of his or her authority, as delegated by the CO, except as otherwise provided in this contract.

Contracting Officer's Technical Representative (COTR) is that person named to administer day-to-day technical contracting matters.

Crude Oil means a mixture of hydrocarbons that existed in the liquid phase in natural underground reservoirs and remains liquid at atmospheric pressure after passing through surface separating facilities and is marketed or used as such.

Day, Month, and Year mean respectively, calendar day, calendar month, and calendar year, unless otherwise specified.

EDQ Means equal daily quantities.

EI (Eugene Island) means the arithmetic average of the daily high and low price quotes for "Eugene Island" for Platt's Month of Delivery.

Force Majeure means, except for payment due hereunder, either party hereto shall be relieved from liability for failure to perform hereunder for the duration and to the extent such failure is occasioned by war, riots, insurrections, fire, explosions, sabotage, strikes, and other labor or industrial disturbances, acts of God or the elements, Sellers' laws, regulations, or requests, acts in furtherance of the international Energy Program, disruption or breakdown of production or transportation facilities, delays of pipeline carrier in receiving and delivering crude oil tendered, or by any other cause, whether similar or not, reasonably beyond the control of such party. Any such failures to perform shall be remedied with all reasonable dispatch, but neither party shall be required to supply substitute quantities from other sources of supply. Failure to perform due to events of Force Majeure shall not extend the terms of this Agreement.

HLS (Heavy Louisiana Sweet) means the arithmetic average of the daily high and low price quotes for "HLS" for Platt's Month of Delivery.

Irrevocable Letter of Credit (ILOC) means a written commitment by a federally insured financial institution to pay all or part of the stated amount of money until the expiration date of the letter upon presentation by the Sellers (the beneficiary) of a written demand therefor. Neither the financial institution nor the Bidder/Purchaser can revoke or condition the Letter of Credit.

Koch Posting means Koch Oil Company's posting for West Texas/New Mexico Intermediate, deemed 40 degrees, EDQ for the Physical Month of Delivery.

LLS (Light Louisiana Sweet) means the arithmetic average of the daily high and low price quotes for "LLS" for Platt's Month of Delivery.

Lease refers herein to any contract, profit-share arrangement, joint venture, or other agreement issued or approved by the Seller for the exploration for, and development of, the extraction of, or removal of crude oil from Federal lands in the Gulf of Mexico.

Leaseholder means a company, corporation, partnership, association, person or other entity with whom the Seller has contracted to, explore for, produce, handle, deliver, and/or market Royalty Oil owned by the Seller as its royalty on production from or attributable to Seller's Leases.

MMS' Lessee is that party through Federal lease ownership which has entered into a Lease with the Seller, or which owns operating rights in such a Lease, as defined herein. The activities referred to in this document as being performed by the Lessee can be performed by the operating rights owners on behalf of the Lessee.

Marketable condition means lease products which are sufficiently free from impurities and otherwise in a condition that they will be accepted by a purchaser under a sales contract typical for the field or area.

Operating Rights means the interest created out of a lease authorizing the holder of that right to enter upon the leased lands to conduct drilling and related operations, including production of oil or natural gas from such lands in accordance with the terms of the lease. A record title owner is the owner of operating rights under a lease except to the extent that the operating rights or a portion thereof have been transferred from record title.

Parties mean the Seller and the Purchaser.

Physical Month of Delivery means the calendar month during which the delivery of crude oil occurs.

Platt's means Platt's Oilgram Price Report.

Platt's/Argus Month of Delivery means a) for the Gulf of Mexico, Platt's quotes from the twenty-sixth day of the month two months prior to the physical month of delivery through the twenty-fifth day of the month one month prior to the physical month of delivery (excluding weekends and holidays), and b) for Offshore California, Platt's/Argus quotes from the first day through the last day of the month, one month prior to the physical month of delivery (excluding weekends and holidays).

Point(s) of Delivery means the point of royalty determination or royalty measurement point approved by the jurisdictional office of the Minerals Management Service. It is the point at which Seller's Lessee is to make available to the Purchaser, and Purchaser is required to take Royalty Oil described in this document.

Posted price means the price specified in publicly available posted price bulletins, or other price notices net of all adjustments for quality (e.g., API gravity, sulfur content, etc.) and location for oil in marketable condition

P+ (Posting Plus) means the arithmetic average of the daily high and low price quotes for "P-Plus WTI" for Platt's Month of Delivery.

Pre 1969 means leases issued before October 1969.

Property means a Federal lease or a Federal pooling agreement for which the Seller is inviting bids for Royalty Oil. Numerous Federal leases may contribute to pooling agreements

Purchaser means the bidder to this IFB whose bid is accepted by the Seller and who is a purchaser of Royalty Oil subject to the provisions of this IFB No. 99-1.

Royalty Oil means that portion of crude oil produced from or attributable to the properties listed in this document to which the Seller is entitled to as the royalty percentage of the production from or attributable to said Leases.

Transporter means principally the pipeline or trucking company receiving delivery of Royalty Oil at the Point(s) of Delivery, but may mean any upstream or downstream pipeline transporter, as dictated by context.

Underpayment means payment for less than the full price or for less than the full volume of Royalty Oil actually delivered to the Purchaser. Underpayment does not result from the under-delivery of Royalty Oil to the Purchaser by the Sellers' Lessees.

WTI (West Texas Intermediate) means the arithmetic average of the daily high and low price quotes for "WTI" for Platt's Month of Delivery.

C.2. GENERAL TERMS

C.2.1. Purchaser and the Seller agree that one hundred (100) percent of the Royalty Oil made available by Seller's Lessees at the Point(s) of Delivery will be purchased and taken by Purchaser at the Point(s) of Delivery. Unless otherwise specified, all crude oil will be physically delivered by the lessees at MMS's expense to the trading centers identified in Exhibit A for sale by MMS to the Purchaser at such trading centers. The Purchaser will be responsible for transportation from the designated delivery point. Lessees shall be deemed to be in exclusive control and possession of said Royalty Oil prior to the time of delivery to the Purchaser, and, if taken at the Point(s) of Delivery, the Purchaser shall be deemed to be in exclusive control and possession of said Royalty Oil thereafter.

C.2.2. The Seller shall not be liable for consequential, incidental, special or punitive damages or losses which may be suffered as a result of the failure to make available or take the Royalty Oil hereunder.

C.2.3. As stated in RIK regulation 30 CFR § 208.8 (b), the lessee shall deliver royalty oil from Section 8 offshore leases issued before October 1969 and Section 6 offshore leases at a delivery point to be designated by the lessee. Purchasers who are unable to make satisfactory delivery arrangements with the lease operator will have to drop the lease(s) from their contracts as MMS cannot force delivery of the oil from these leases to any specific delivery point.

C.2.4. The Purchaser shall hold the Seller and its Lessees harmless for all costs and penalties, including any which may be assessed or imposed by a Transporter against Purchaser at or after the Point(s) of Delivery, including without limitation purchases or sales of imbalance quantities of crude oil at unfavorable prices. The Seller shall not hold the Purchaser responsible for any costs and penalties which may be assessed against the Seller prior to the Point(s) of Delivery.

The Purchaser and the Seller's Lessees shall work with each other and with the Transporter to verify delivery and receipt of Royalty Oil on a timely basis.

It is specifically agreed that there are no third party beneficiaries to this contract, and that the contract shall not impart any rights enforceable by any person, firm, organization, or corporation not a party hereto.

C.2.5. The Purchaser shall not assign any of the rights awarded under this IFB and contract without having prior written approval from MMS.

C.3. NOTIFICATION OF ROYALTY OIL AVAILABILITY AND PURCHASER ACKNOWLEDGMENT

Purchaser is authorized and required to communicate with Seller's Lessees to the extent practicable and consistent with industry practice regarding crude oil availability. The Seller's Lessees will be required to provide to Purchaser initial estimates of Royalty Oil available during the month preceding the start of the contract term. The Sellers' Lessees will also be required to notify the Purchaser of any changes in Royalty Oil availability during the contract term, consistent with industry practice.

C.4. FAILURE BY THE PURCHASER AND PURCHASER LIABILITY

If the Seller identifies an underpayment by the Purchaser, the Purchaser will be notified and granted 15 days to pay or demonstrate to the MMS that underpayment does not exist. Beyond the 16th day, for the MMS as affected, may choose to call on the letter of credit for the underpaid amount, if the reasons for the underpayment are other than a Force Majeure occurrence. The Seller may choose to terminate the contract when the cumulative underpaid amount exceeds 50% of the amount of the letter of credit.

C.5. PURCHASER LIABILITY

C.5.1. Purchaser Liability for Bid Value of Royalty Oil. Notwithstanding contract termination pursuant to C.4, the Purchaser shall be liable for the bid value of one hundred percent (100%) of the Royalty Oil delivered to it by Lessees including oil made available but not taken by the Purchaser. In the event that any Royalty Oil not taken is sold to a third party at a price below the Purchaser's bid price, the Purchaser will be liable for the difference between the price received by the MMS and the Purchaser's bid price and if the oil not taken is not sold during the month of delivery, the Purchaser will be liable for the full bid value of the oil. Administrative costs and other expenses the MMS incurs as a result of obtaining another buyer for the oil for which the Purchaser contracted will also be due to the MMS. The Purchaser shall pay all amounts due within 7 calendar days after deemed receipt of an invoice. Any disagreement with the respect to the amount of such payment due the MMS will be deemed a dispute and will be decided by the Contracting Officer.

C.5.2. Liability for Transporter Penalties The Purchaser shall be liable for any pipeline penalties imposed as a result of the Purchaser's breach.

C.6. DELIVERY VARIANCES TO PURCHASERS BY MMS' LESSEES

The Purchaser shall not be liable for under payments resulting from deliveries by MMS Lessees that vary from the proper monthly royalty volume. In the event that Lessees significantly over/under deliver Royalty Oil to the Purchaser, the Lessees will be responsible for payment to the MMS. Variances that are not significant will be delivered in Royalty Oil volumes to the Purchaser in the next month after identified and resolved with the Lessees.

C.7. AUDIT RIGHTS

The MMS retains the right to adjust the amount of monthly payments due MMS based on contract reconciliation or audits related to volumes taken by the Purchaser. Notwithstanding any other provision herein, MMS or the Purchaser may adjust the price due to mathematical errors in its calculations.

SECTION G

CONTRACT ADMINISTRATION DATA

G.1. PERFORMANCE PERIOD

The contract will be for a term of one year. Subject to a 90-day termination notice by Seller or Purchaser, which can only be exercised after the completion of the one year, the contract will be automatically renewed for another year.

G.2. PAYMENT AND REPORTING

G.2.1. Responsibilities of Purchaser. The following reporting and payment requirements are the monthly responsibility of the Purchaser during the term of this Oil Sales and Purchase Contract:

a. Purchaser shall render payment to the MMS in accordance with the procedures at G.2.1.(b) for all Royalty Oil made available to it at the Point(s) of Delivery. The Purchaser is required to make payment to the MMS for all Royalty Oil made available to it by MMS' Lessees, whether or not Purchaser accepts delivery of such oil. The Purchaser will calculate the amount due each month based on the contract bid price made in Exhibit A and the Royalty Oil volumes recorded at the Point of Delivery identified in Exhibit B-1 of this contract.

b. The Purchaser will remit the total monthly amount due to the MMS by electronic funds transfer (EFT), under procedures outlined in Exhibit C of solicitation 99-1. Payment must be credited to MMS' account by close of business on the last day of the month following the month of delivery.

In addition, the reporting to MMS will be in accordance with the Memo dated August 13, 1999, in Exhibit D of solicitation 99-1. The MMS will answer any questions over the telephone or by E-mail regarding reporting requirements (contact an MMS Representative at the phone number listed in the last paragraph of the Exhibit D memo).

c. Purchaser shall provide access during normal working hours, to any documents of Purchaser, which are pertinent to the contract and Purchaser's obligation to pay Seller. Such records shall be retained for a period of at least seven years after the final reporting and payment date of the contract.

G.3. SET-OFF

The Purchaser shall not reduce payments due hereunder because of any claim against the Seller arising outside of this contract.

G.4. MMS REPRESENTATIVES

Mr. Todd W. Leneau is the Contracting Officer (CO) and can be reached at (303) 275-7385.

Mr. Robert Prael is the Contracting Officer's Technical Representative (COTR), and can be reached at (303) 231-3217

G.5. PURCHASERS REPRESENTATIVES

Purchasers shall provide the following information at the time of contract award:

Bidder's Business Number: (303) 628-3800
Fax Number: (303) 628-3828
Accounts Payable Rep: Edie Luken
Telephone: (303) 628-3800 Ext. 429
Alternate Accounts Payable Rep: Roxanne Turvey
Telephone: (303) 628-3800 Ext. 431
Purchaser's Field Rep: Donald A. Hamilton
Telephone: (303) 628-3800 Ext. 451

SECTION H

SPECIAL PROVISIONS

H.1. NOTICES/CORRESPONDENCE

(a) Any notices shall be in writing, shall include the contract number, and shall be forwarded, prepaid, to the appropriate addresses in (b) below.

(b) Correspondence to MMS shall be to:

(1) For contract matters:

Mr. Todd W. Leneau, Contracting Officer
U.S. Department of the Interior
Minerals Management Service
P. O. Box 25165, MS 2730
Denver Federal Center
Denver, Colorado 80225-0165
PHONE: (303) 275-7385 Email: Todd.Leneau@mms.gov
FAX: (303) 275-7303

(2) For technical matters and ILOC verification:

Mr. Robert Prael
Contracting Officer's Technical Representative
U.S. Department of the Interior
Minerals Management Service
Post Office Box 25165, MS3131
Denver, Colorado 80215-0165
PHONE: (303) 231-3217 Email: Robert.Prael@mms.gov
FAX: (303) 231-3219

H.2. INDEMNIFICATION

Purchaser shall indemnify and save the Seller and Lessees harmless from and against any loss, expense, liability, or claim of any kind for damage to property of, or for injury to or death of persons which Purchaser, its agents, employees, or personnel intentionally or negligently or otherwise cause, arising in any way from or connected with performance of this contract.

H.3. GOVERNING LAWS AND REGULATIONS

Solely applicable Federal Law and this IFB hereunder govern the sale of Royalty Oil. The Federal Acquisition Regulations (FAR), 48 CFR, Ch. 1, Pts. 1-53 do not apply to this sale; however, the Seller may use the FAR as guidance in bid solicitation and contract award.

SECTION I

GENERAL PROVISIONS

I.1. WITHHOLDING OF DELIVERIES AND TERMINATION FOR PURCHASER DEFAULT

(a) The Contracting Officer for MMS, without liability to the MMS, may terminate this contract in whole or in part as pertains to each respective interest, by written notice to the Purchaser effective upon such notice being delivered personally to any authorized representative of the Purchaser, being deposited in the United States Postal System, or with an overnight delivery service addressed to the Purchaser at the address shown on the award page in the event:

- (1) Purchaser breaches any warranty made herein;
- (2) Purchaser fails to take delivery in accordance with the terms of this contract;
- (3) Purchaser no longer meets the financial qualifying criteria specified in this IFB No. 99-1, as determined by the Seller;
- (4) There are instituted by or against Purchaser proceedings in bankruptcy or other insolvency law; or
- (5) Purchaser fails to comply with any other term or condition of this contract within 48 hours after the Contracting Officer or their designee, gives telephonic or other oral notice. The Seller will confirm any oral notification in writing
- (6) After the first year, the Purchaser may terminate the contract or specific leases with a 90-day notice to Seller.

(b) Seller may cancel in the event that Koch posting, Platt's posting, or Petroleum Argus is no longer available in the calculation of the price, or the contract price can be renegotiated using available pricing tables.

(c) Notwithstanding other provisions of this IFB, Purchaser shall not be charged with any liability to the MMS under circumstances which prevent Purchaser's acceptance of delivery hereunder due to causes beyond the control and without the fault or negligence of Purchaser, as deemed by the Contracting Officer.

(d) Nothing herein will limit the Seller in the enforcement of any legal or equitable remedy, which it might otherwise have, and a waiver of any particular cause for termination will not prevent termination for the same cause occurring at any other time or for any other cause.

(e) Upon termination of a contract for Purchaser's default, the Contracting Officer may sell or otherwise dispose of the remaining crude oil in an appropriate manner. Any net loss experienced by the seller, calculated as the difference between the price received for the remainder of the contract period as sold by the Contracting Officer, to include administrative cost and the price that would have accrued had the Purchaser paid for the volumes until the term of the contract expired will be due from the Purchaser.

1.2. TERMINATION FOR THE CONVENIENCE OF THE GOVERNMENT

The Contracting Officer, by written notice, may terminate this contract, in whole or in part, when it is in the Government's interest.

1.3. LIMITATION OF THE SELLER'S LIABILITY

The MMS is not liable for nonperformance due to Force Majeure. In addition, see Section C 5

1.4. DISPUTES

(a) For the purpose of this contract, the Contract Disputes Act of 1978 (41 U.S.C. §601 et seq., PL 95-563) is applicable. If a dispute arises, the Purchaser may submit a claim to the Contracting Officer, who will issue a written decision on the dispute. A "claim" is a written request submitted to the Contracting Officer for payment of money, adjustment of contract terms, or other relief requiring a Contracting Officer's decision.

(b) In the case of disputed requests or any amendments to such requests for payments exceeding \$50,000, the Purchaser shall certify, at the time of the submission of a claim:

I certify that the claim is made in good faith, that the supporting data is accurate and complete to the best of my knowledge and belief, and that the amount requested accurately reflects the contract adjustment for which Purchaser believes the MMS is liable.

Purchaser's Name:

Signature of Certifying Official:

Title:

(c) The Purchaser shall pay the MMS, as applicable, interest on the amount found due from the date the amount is due until the Purchaser makes payment at the underpayment rate in 30 U.S.C. 1721. The Internal Revenue Service Rate will be used as prescribed in 30 CFR 218.54 and 218.102

(d) The decision of the Contracting Officer will be final and conclusive and not subject to review by any forum, tribunal, or MMS agency unless an appeal or action is timely commenced as specified by the Contract Disputes Act of 1978.

(e) Purchaser shall comply with any Contracting Officer decision, and at the Contracting Officer's direction will diligently perform under this contract pending final resolution of any claim, appeal, or action related to this contract.

1.5. GRATUITIES

(a) The Seller may terminate the contract by written notice if, after notice and hearing, the agency head or designee determines that the Purchaser, its agent, or another representative offered or gave a gratuity (e.g., entertainment or gift) to an officer, official, or employee of the Seller and intended to obtain a contract or favorable treatment under a contract.

(b) Any court having lawful jurisdiction may review the facts supporting this determination.

(c) If this contract is terminated under (a) above, the MMS is entitled to pursue the same remedies as in a breach of contract. The Seller may, at its discretion, terminate this contract without liability, or deduct from the contract price or consideration or otherwise recover the full amount of any commission percentage, brokerage, or contingency fee.

(d) The rights and remedies of the MMS provided in this Article are in addition to any other rights and remedies provided by law or under this contract.

1.6. INTEREST

All amounts due and payable, including interest assessed on late payments, must be paid by the bill due date. Amounts not so paid shall bear interest, computed on a daily basis, from the date due (i.e., date of deemed receipt of invoice) until the MMS receives payment, at the underpayment rate under 30 U.S.C. 1721.

1.7. EXPORT LIMITATIONS AND LICENSING

Purchasers are subject to all the limitations and licensing requirements of the Export Administration Act of 1969 (83 Stat. 841) in accordance with 10 U.S.C. §7430(e).

1.8. PURCHASER'S RELEASE OF CLAIMS

Purchaser hereby releases the MMS from all claims arising in connection with this contract, except in the case of those federal claims meeting the requirements of the Contract Disputes Act which the Contracting Officer receives prior to the date upon which final payment is due hereunder. Claims not received before such date are forever barred.

Supplemental billings and credits issued after the final invoice will not extend the date for submission of claims beyond the final payment date shown on the final invoice.

I.9. IRREVOCABLE LETTER OF CREDIT

The ILOC must be increased to 99 days worth of production on the properties listed in the Purchaser's lease list as stated in paragraph H.12 of solicitation 99-1 by no later than December 17, 1999. Additional specifics for ILOC requirements are set out in paragraph H.12. and Exhibit E of solicitation 99-1.

Exhibit B-1

RIK Lease Listing for Sale 99-1

Refiner Number		99101	RefinerName: Gary-Williams Energy						Daily Royalty Share
Bundle	Lease Number	FMP Number	Operator Name	Area	Block	Oil Type	Quality	Market Center	
198	088-000180-0	2004083500	Exxon Company, U.S.A.	Santa Ynez		H-Y	20.9	Las Flores Canyon	84
198	088-000181-0	2004083500	Exxon Company, U.S.A.	Santa Ynez		H-Y	20.9	Las Flores Canyon	1355
198	088-000190-0	2004083500	Exxon Company, U.S.A.	Santa Ynez		H-Y	20.9	Las Flores Canyon	1492
198	088-000191-0	2004083500	Exxon Company, U.S.A.	Santa Ynez		H-Y	20.9	Las Flores Canyon	462
198	088-000199-0	2004083500	Exxon Company, U.S.A.	Santa Ynez		H-Y	20.9	Las Flores Canyon	398
Bundle Subtotal									3791
199	088-000202-0	20041111500	Nueco Energy	Hueneine		H-E	21.0	Mandalay	75
199	088-000203-0	20041111500	Nueco Energy	Hueneine		H-E	21.0	Mandalay	189
Bundle Subtotal									265
101	088-000182-0	2004083500	Exxon Company, U.S.A.	Santa Ynez		H-Y	20.9	Las Flores Canyon	2837
101	088-000183-0	2004083500	Exxon Company, U.S.A.	Santa Ynez		H-Y	20.9	Las Flores Canyon	1131
Bundle Subtotal									3968
102	088-000193-0	2004083500	Exxon Company, U.S.A.	Santa Ynez		H-Y	20.9	Las Flores Canyon	213
102	088-000194-0	2004083500	Exxon Company, U.S.A.	Santa Ynez		H-Y	20.9	Las Flores Canyon	97
102	088-000195-0	2004083500	Exxon Company, U.S.A.	Santa Ynez		H-Y	20.9	Las Flores Canyon	46
102	088-000326-0	2004083500	Exxon Company, U.S.A.	Santa Ynez		H-Y	20.9	Las Flores Canyon	4
Bundle Subtotal									360
Summary for 'RefinerNumber' = 99101 (13 detail records)									
Sum									8384

TRANSACTION REPORT

DEC-14-99 TUE 11:03

DATE START RECEIVER

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NOTE

DEC-14 11:03 930362B3833

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